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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Proactive investigation of the education grant entitlement

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994 and 54/244 of 23 December 1999, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the proactive investigation of the education grant entitlement.

2. The Secretary-General takes note of the findings of the report. He also notes the potential for fraud in the application of the education grant entitlement or, indeed, of any other entitlement. The Secretary-General shares the view of the Office of Internal Oversight Services that, if an entitlement is based on a declarative model, such as the education grant entitlement, the claimant should bear total responsibility for the veracity of his or her declaration. The Secretary-General welcomes the efforts of the Office of Internal Oversight Services to recommend corrective action to simplify the payment of the entitlement and minimize the risk of commission of violations in this area. He wishes to emphasize, however, that the 16 cases of alleged fraud referred to in the report were detected and reported by staff members. He also notes the comment by the Office of Internal Oversight Services that most claims for the education grant entitlement are likely to be genuine.

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Report of the Office of Internal Oversight Services on the proactive investigation of the education grant entitlement

Summary

Of the 16 reports of alleged fraud with regard to the education grant received by the Office of Internal Oversight Services between 1995 and 1999, 10 were substantiated, 2 were unsubstantiated and 4 are active ongoing cases. In the 10 substantiated cases, the outcome of the respective investigations was as follows: five staff members were terminated from the Organization; three staff members were the subject of administrative or disciplinary action; and two staff members resigned. For the two unsubstantiated cases, the staff members concerned were fully cleared by the investigation. Examples of the types of fraud identified by these investigations are described in paragraph 11 of the present report.

During 1998, more than 1,300 staff members at United Nations Headquarters (including staff on mission) submitted education grant claims for approximately 3,300 dependants. Total payments for the education grant exceeded US$ 25 million, the average annual payment being approximately US$ 19,000 per staff member. Most of these claims, which the Office of Internal Oversight Services did not examine, are likely to be genuine. The Office has sought to determine the type of weaknesses that allow the identified cases of fraud to occur.

Based on the 16 reports received by the Office of Internal Oversight Services, the high percentage of substantiation of those cases, as well as the high percentage of disciplinary action taken, and the overall high dollar value of the entitlement, coupled with the many audits conducted by the Office and the former Internal Audit Division, the United Nations education grant entitlement was assessed by the Office as an area in which there is the potential for fraud at Headquarters and at offices away from Headquarters within the meaning of paragraph 17 of the Secretary-General's bulletin ST/SGB/273 of 7 September 1994.

During its investigations over the past few years of reports of education grant fraud, the Office of Internal Oversight Services has noted the various means by which some staff members have defrauded or attempted to defraud the Organization in their education grant submissions. The amount lost to the Organization can be substantial; the amount defrauded from the Organization in the cases that the Office has investigated and substantiated averages $26,500 per case but in one case was over $69,000. The Office of Internal Oversight Services has recommended corrective measures to strengthen procedures which would lessen the risk of fraud.

The purpose of the present review is not to create a perception that most claimants are dishonest. Rather, as mentioned above, it is designed to ascertain the weaknesses which allow those seeking personal gain by fraudulent means to succeed.

Contents

		Paragraphs	*Page*
I.	Introduction	1–5	4
II.	Education grant entitlement	6–10	4
III.	Findings	11–18	5
	A. Examples of fraud	11	5
	B. Additional factors	12–18	6
IV.	Conclusions and recommendations	19–23	8
V.	Management comments	24–28	9

I. Introduction

1. The Office of Internal Oversight Services has received in the past four years 16 reports in which staff members were alleged to have presented fraudulent claims for the education grant. These reports were new reports, received by the Office from other staff members who were concerned that the education grant entitlement was being subjected to a risk of fraudulent abuse and who exercised their individual rights pursuant to paragraph 18 of the Secretary-General's bulletin ST/SGB/273 of 7 September 1994. The Office of Internal Oversight Services has investigated the reports and, in the 12 cases in which the investigation process has been completed, has found that the evidence supports a finding of fraud in 10, or 83 per cent, of them. In the 2 cases for which the evidence did not support a finding of fraud, the staff members were fully cleared. In the 10 substantiated cases, five staff members were terminated from the Organization, three were subject to administrative or disciplinary action and two resigned from the Organization. These cases of fraud involve total misappropriations of US$ 265,000 of United Nations funds, with the individual cases ranging from several thousand United States dollars to over US$ 69,000 in one case. In each of the cases, the Organization, upon the recommendation of the Office of Internal Oversight Services, has either recovered or taken steps to recover those funds.

2. As an example, during 1998, approximately 1,300 staff members at United Nations Headquarters (including staff on mission) submitted education grant claims for more than 3,300 dependants. In the same year, total education grant payments exceeded US$ 25 million, the average payment being approximately US$ 19,000 per staff member. Most of the claims are likely to be genuine. Therefore, the purpose of the present review is not to create a perception that most claimants are dishonest. Rather, it is designed to ascertain what systematic weaknesses may be used, by those seeking unjust enrichment by fraudulent means, to succeed.

3. The mandate of the Office of Internal Oversight Services is to focus on assessing the potential within programme areas for fraud and other violations through the analysis of systems of control in high-risk operations as well as offices away from Headquarters, and on the basis of that analysis, to make recommendations for corrective action to minimize the risk of commission of such violations (ST/SGB/273, para. 17). The investigation indicated that the education grant entitlement was an area in which there is a potential for fraud at Headquarters and at offices away from Headquarters.

4. In a proactive review, the selected system, in this case the education grant entitlement, is assessed not only for inherent weaknesses but also for the relative ability of persons to be able to manipulate the system in order to commit the fraud. It is the aim of the proactive review to assess the potential for fraud that the Organization may be exposed to by intentional and/or opportunistic behaviour with personal gain as its goal. A proactive review should not be confused with an audit which examines the internal control system and whether or not a particular control system is operative. A proactive review is designed to focus on fraud or other violations with the idea of sensitizing the Organization to the risk it faces and to recommend to management ways of prevention or early detection.

5. For the present proactive review, the processing of education grant claims was reviewed at United Nations Headquarters and at the United Nations Office at Geneva and at Nairobi. Key personnel from the Office of Human Resources Management, the payroll/accounts payable section from each of the offices and the Field Administration and Logistics Division at Headquarters were interviewed with the aim of understanding the education grant processes and the associated problems and risks.

II. Education grant entitlement

6. According to United Nations Staff Rule 103.20 (b), a staff member who is regarded as an international recruit under rule 104.7 and whose duty station and place of residence are outside his or her home country is entitled to an education grant for each child in full-time attendance at school, university or similar educational institution, provided that the international recruit's appointment or assignment is for a minimum of six months. Education grant entitlements may also be authorized for United Nations locally recruited staff members who are on mission service. Administrative instructions and circulars have been issued by the Administration with the aim of explaining the operation of the Staff Rules with respect to the education grant entitlement.[1]

7. Claims for payment of the education grant are to be submitted to the Office of Human Resources Management or the relevant personnel section on form P.45 (hereinafter referred to as the request for payment) promptly upon completion of the school year. The claim must be accompanied by written evidence of the child's attendance, education costs and specific amounts paid by the staff member. Such evidence normally is submitted on a P.41 form (hereinafter referred to as the certificate form), which should be certified by the school. Both forms are submitted by the staff member to the Organization for processing.

8. As part of the education grant entitlement, a staff member who serves in a country whose language is different from his or her mother tongue or whose child attends a local school in which the instruction is given in a different language may be allowed to submit the costs of tuition in the mother tongue. According to administrative instruction ST/AI/1999/4 of 19 May 1999 and information circular ST/IC/1999/51 and Corr.1 of 13 July 1999, private tuition must be given by a qualified teacher who is not a member of the staff member's family. Information circular ST/IC/1999/51 and Corr.1 stipulates that a request for reimbursement for tuition must be accompanied by a certificate for tuition in the mother tongue and a certified receipt from the institution or tutor for the amount paid by the staff member. In addition, original cancelled cheques or copies of original cheques accompanied by bank statements are required to be submitted to the Organization to verify the payments made to the tutor or to the educational institution. The rule does not provide for the submission of any other form of receipt or other written confirmation of cash payments.

9. Staff members may claim a special education grant when: (a) their child is unable, by reason of physical or mental disability, to attend a regular educational institution and therefore requires special teaching or training, on a full or part-time basis; or (b) the child, while attending a regular educational institution, requires special teaching or training to assist him or her in overcoming the disability. In accordance with administrative instruction ST/AI/1999/4, claims for the special education grant shall be submitted in writing and supported by medical evidence.

10. From the legal outline provided in the above paragraphs, it is clear that the education grant system is based on a declarative model and, as such, relies on the claimant personally to guarantee the truthfulness of the claim. It therefore assumes total honesty on the part of the claimant and places on the claimant total responsibility for the truth and contents of his or her declaration. For example, this assumption is supported by United Nations Administrative Tribunal Judgement No. 850, dated 26 November 1997, which states that it is incumbent upon the staff member who obtains allowances or benefits from the Administration, on the basis of his or her certification, to ensure that the proper information is supplied. Thus, the responsibilities of any claimant for an education grant go beyond the simple compliance of furnishing certification and proof of expense.

III. Findings

A. Examples of fraud

11. From the education grant fraud cases received, the Office of Internal Oversight Services identified several means by which claimants have defrauded the Organization in claims for education grants:

(a) The claimant submits to the Organization fraudulent certificate forms which he or she has completed, instead of the educational institution as required, and which contain falsified amounts, signatures of representatives of the educational institution which the latter have identified as forged and/or fake school stamps;

(b) Since the claimant receives the completed certificates directly from the institution prior to submission to the Organization for processing, he or she has the opportunity to change the information provided by the educational institution by changing data or including additional amounts in order to increase the amount received. This is the most prevalent type of fraud among the cases investigated by the Office of Internal Oversight Services;

(c) The claimant presents a claim for an educational institution that the child did not attend;

(With respect to the above-mentioned three types of fraud, detection by the Organization could be carried out directly by confirming the information on the certificate forms with the educational institutions. Since it would not be possible to carry out such an exercise for all education grant claims submitted, given

resource and time constraints, a random sample could be selected periodically for verification directly with the educational institution concerned.)

(d) The claimant enlists the assistance of the educational institution to provide false information on the certificate form which is certified by the educational institution;

(In this type of case, detection is difficult since staff of the educational institution are also involved. Academic and financial records to prove attendance of the student and tuition payments could be required of the staff member and the educational institution.)

(e) The claimant solicits education grant entitlements for dependent children who are not legally his or her dependants;

(In this type of case, circumstances can be determined by requiring the education grant claimants to provide to the Organization all necessary legal documents, for example, birth certificates, adoption decrees or court orders of custody.)

(f) The claimant submits a claim for the full entitlement instead of a prorated grant amount even though the claimant is aware that his or her dependant did not attend school full-time or did not attend for the entire school year;

(In this type of case, the Organization can detect the fraud by independently confirming the student's attendance with the educational institution.)

(g) The student receives scholarship or grant money (thereby reducing the entitlement amount) which is not reported on the certificate form;

(In this type of case, confirmation from the educational institution as to the scholarship or grant is required.)

(h) For claims for tuition in the mother tongue, the claimant submits a request for reimbursement for private lessons that his or her child did not receive.

(In this type of fraud, detection is difficult because the fraud is done with the assistance of the tutor who certifies that instruction was given. In such cases, the purported tutor has endorsed cheques made payable to him or her in order to assist the education grant claimant with his or her fraud. Requests for a programme syliabus and other requirements to prove that instruction was given would assist in tracking such cases.)

B. Additional factors

1. Completion of the certificate form

12. The Office of Internal Oversight Services has noted that some schools refuse to complete the certificate form because they find it cumbersome and time-consuming to prepare. It is apparent on many of the forms examined by the Office that they were completed by the staff members themselves, in contravention of the instructions clearly indicated on the form that it be completed only by the educational institutions. Often the educational institution will agree only to provide certification of the information by official signature and stamp; however, the Office of Internal Oversight Services has found instances in which the educational institution did not verify the information but simply stamped and certified the form which contained erroneous information. While there are cases in which the education grant claimant is obligated to prepare the form because the educational institution will not do so, such practices could prompt the claimant to include erroneous information, either intentionally or unintentionally.

13. This problem could be solved by implementation of the provisions of information circular ST/IC/1999/51 and Corr.1. In those cases in which it is not possible to submit a certificate form, for example, when the school will not do so, staff members should submit a certificate of attendance indicating the exact dates of attendance, together with itemized and paid school bills, and other substantiating information. These documents must be certified by a responsible official of the educational institution.

2. Admissible and non-admissible costs

14. The Office of Internal Oversight Services identified another weakness regarding the education grant entitlement. The educational institution is required to provide a description of additional education costs, aside from tuition. These costs are analysed by staff processing the claim to determine whether the costs are admissible or not. The general definition of admissible costs is that of costs directly related to the regular school programme or curriculum, however, the Office has noted that such a definition is subject to individual interpretation. During interviews with the investigators, staff of the Office of Human Resources Management complained of the difficulties encountered in deciphering admissible and non-

admissible expenses. In this regard, they made the following observations:

(a) Processors have a list of admissible expenses but the list is not complete; items are presented as charges which are not on the list, and the determination needs to be made as to whether or not to admit the charges;

(b) Schools do not have standard definitions for the same costs;

(c) What is considered admissible in one duty station is considered non-admissible in another.

15. With the proposed delegation of authority from a centralized office in the Office of Human Resources Management to individual executive or administrative offices, these inconsistencies may increase in number unless standardized procedures are implemented. Experience since 1992 with the delegation of authority in such matters directly from the Office of Human Resources Management to personnel sections of established field missions demonstrates that this is a legitimate concern. Furthermore, such inconsistencies may be a cause for appeals to the Joint Appeals Board by staff members who defend their claims against a perceived discretionary administrative decision based on personal interpretation by the processor of the claim.

3. Mother tongue entitlement

16. The Office of Internal Oversight Services has not found any rule or instruction which defines an instructor in the mother tongue. The practice has, however, developed whereby the basic required qualification for a tutor in the mother tongue is a university degree, regardless of the specialization. It is not a requirement for the instructor to have a degree in languages or education. The Office noted private instructors in the mother tongue who had degrees in engineering, business and architecture. While such individuals may be highly educated, there is no indication that they are sufficiently proficient in the language or as a teacher to be able to provide quality language instruction (see para. 22 below).

17. Investigators noted that the Personnel Section at the United Nations Office at Nairobi were not well versed in the requirements of the administrative instruction which governs education grants. As a result, the requirements stipulated for tuition in the mother tongue were not enforced. Such lapses in enforcement included processing the certificate forms in contravention of the instruction's requirements. The claims were processed and payments made even though staff members did not present original cancelled cheques accompanied by bank statements to verify the payments made to the tutors or to the educational institutions but instead presented receipts for cash payments. Information circular ST/IC/1999/51 and Corr.1 requires that original cancelled cheques or copies of original cheques accompanied by bank statements to verify the payments made to the tutor or to the educational institution be presented to the Organization in order to request reimbursement for tuition in the mother tongue. Furthermore, the information circular notes that receipts or other written confirmation of cash payments are not acceptable as proof of payment.

The management of the United Nations Office at Nairobi responded that it is difficult for staff at Nairobi to submit original cancelled cheques or even copies of original cheques from banks since Kenyan banks do not normally return cancelled cheques, and that much business in Kenya is done on a cash basis. *

4. Special education grant for disabled children

18. The Office of Internal Oversight Services, in its review of special education grant claims, was presented with instances in which the disability claimed would not appear to preclude a child from attending a regular school. Personnel from the Office of Human Resources Management indicated that such instances are difficult to check since such claims are certified by medical doctors and that medical services divisions rarely question such certifications. Consequently, the claims are processed. This has also resulted in claims for special education grants being submitted for children who did not attend a specialized institution, or receive special education at a regular institution. While most of these claims may be genuine, the ability of processors to verify their validity is limited. Therefore, if a risk exists in this area of the education grant system, it can only be reduced by initiating an unambiguous policy.

* The comments of management appear in italics throughout the report.

IV. Conclusions and recommendations

19. During discussions with personnel processing officers at the three duty stations concerned, the Office of Internal Oversight Services was informed that the officers do not see their role as policing education grant entitlements. Rather, they see their role as providing client service to other staff members. Consequently, contact with educational institutions may not always be made to verify the information. Contact is, however, made with the educational institution when there is any doubt about the claim. This is in contrast to the practices in place in the Field Administration and Logistics Division, Department of Peacekeeping Operations, in which the staff member responsible for processing the claims routinely contacts the educational institutions to verify information on questionable claims. Such scrutiny is both a proactive deterrence control against fraud, as well as a reactive detection control when fraud does occur. The education grant claims processed by the Field Administration and Logistics Division are not administered by the Office of Human Resources Management, since the Division has been delegated authority since 1994 to process claims for its staff. While the Office of Internal Oversight Services does not wish to suggest that the Office of Human Resources Management change its client servicing policy, and noting that fraudulent claims are not necessarily obvious, processing claims with a discerning eye may assist the Organization in distributing education grant funding to staff members who report the actual expenses incurred by them and request only that to which they are entitled. Moreover, in the long term, the education grant entitlement may suffer the criticism of being an easily defrauded entitlement if it does not receive some measure of due diligence at the client servicing front line.

20. In its current form, the administration of the education grant benefit is cumbersome and, therefore, prone to error. Because it is cumbersome and, to some degree, subject to some discretionary processing at the front line, the entitlement opens itself up to opportunistic behaviour. It is for this reason that in the same way in which the lump-sum option was established for home leave travel several years ago so as to facilitate the processing of the entitlement and save the Organization administrative costs, the Office of Internal Oversight Services recommends that serious consideration be given to the suggestion that the education grant entitlement be provided on a lump-sum basis for each country in which a school is located (IV99/025/01).* This option would not only save the Organization financial resources by reducing the current administrative costs involved in the processing of the grants but it would also allow staff more time to spot check for fraud. By streamlining the processing of claims:

(a) The staff of the Office of Human Resources Management would no longer perform a form of accounting to calculate the entitlements for approval by the officers of that Office. Instead, they would be required to verify school attendance and tuition costs paid. This would also eliminate the risk of fraud in claims for such additional costs as books and transportation;

(b) Officers of the Office of Human Resources Management would no longer have to verify the entitlements processed by the staff of the Office. Instead, they would only need to verify attendance and approve the lump-sum payment;

(c) The cumbersome certificate form could be superseded by a simple form that would verify school attendance and tuition, which the educational institutions may be more willing to complete. In addition, the analysis of the current form is a time-consuming process since it often requires contacting the educational institution to obtain additional information;

(d) As a result of the above-mentioned suggested revisions, the risk of fraud would be reduced considerably. As long as the staff member is required to demonstrate, and the processing staff are required to verify, that a child is in full attendance at an educational institution that charges tuition, the staff member would be entitled to an education grant lump-sum payment;

(e) With this option, staff of the Office of Human Resources Management or other processing officers would only have to randomly spot check claims for full verification of all information with the educational institutions to reduce the risk of fraud.

21. If the lump-sum option is not preferred, the Office of Internal Oversight Services recommends that the processing of the education grant be centralized within one office at each of the duty stations

* An internal code used by the Office of Internal Oversight Services.

(IV99/025/02). While there is at present within the Organization the plan to decentralize the functions of the Office of Human Resources Management, the Office of Internal Oversight Services believes that such practices would be counterproductive to the current practices of processing education grants. By centralizing the process:

(a) Economies of scale would be realized since the staff working with the entitlement would be fully versed in its complicated and cumbersome requirements;

(b) A certain level of organizational memory would be generated as to the normal school tuition fees and charges in various countries, thereby enabling the staff processing the claims rapidly to detect falsely inflated claims. Experienced staff would be able to detect tuition amounts which are higher than those for other similar schools, or school years which do not correspond to the normal school year in a particular country;

(c) The assessment by processing staff of admissible charges would be less subjective and of greater uniformity in determining allowable charges, thereby making it more equitable among staff members of different offices.

22. The Office of Internal Oversight Services notes that the policy with respect to tuition in the mother tongue states that such instruction must be provided to the child by a qualified teacher. In this regard, the policy is ambiguous since it also speaks of a tutor and educational institution. Consequently, it is recommended that the requirement for the instructor's qualification be strengthened and staff members required to produce proof of the private tuition instructor's competence (IV99/025/03).

23. With regard to the special education grant for children with disabilities, the Office of Internal Oversight Services recommends that consideration be given to examining the rule which permits staff members to receive a special education grant for a disabled child when the child attends a regular educational institution and does not receive specialized instruction for his or her disability (IV99/025/04).

V. Management comments

24. *Management comments by the Field Administration and Logistics Division of the Department of Peacekeeping Operations, the United Nations Office at Geneva and the United Nations Office at Nairobi on the present report have been favourable and the recommendations of the Office of Internal Oversight Services have been accepted. The Field Administration and Logistics Division responded that its experience with the entitlement bears out fully all of the conclusions set out in the present report and that it would welcome the implementation of the recommendations contained therein. The Division noted that it sees value in, and would encourage the Organization to adopt, a further streamlined lump-sum approach which would correlate with the location of the schools and the level of schooling (i.e., the lump-sum level would be indexed to indicative costs set per location and level of schooling). It added that it would strongly support the recommendation to return to a centralized system for processing education grants and sees great merit in standardizing the process of review and certification.*

25. *The management of the United Nations Office at Geneva concurred with the conclusion of the Office of Internal Oversight Services with regard to a centralized area for processing the education grant claims since it would allow more effective processing, as well as uniformity in the interpretation and certification of entitlements and payments. It also concurred with the recommendation of the Office of Internal Oversight Services on a lump-sum entitlement.*

26. *With regard to tuition in the mother tongue, the management of the United Nations Office at Geneva suggested that the Organization re-evaluate the entitlement for reimbursement since the original purpose has been diluted over the years.*

27. *The management of the United Nations Office at Nairobi noted that the provisions of the administrative instruction on the education grant have been the most complicated to comprehend and have caused much confusion and difficulties insofar as their implementation and administration. It welcomed the recommendation of the Office of Internal Oversight Services on the lump-sum option since it would simplify the work of the administrative staff responsible for its implementation.*

28. *The Department of Management agrees that serious consideration could be given to the payment of the education grant entitlement on a lump-sum basis, although there are differences with home leave travel since the administrative savings that resulted from a change in the system for processing home leave travel are actually due to the willingness of staff members to take a lump-sum entitlement of 70 per cent of their entitlement. The Department is in agreement that simplifying the process of managing the education grant entitlement will serve to add efficiency to the processing of grants, while eliminating some risk factors. A thorough analysis and review is needed before new procedures are put in place and the focus should be on exploring options to render not only the administration of the entitlement simpler and more efficient but also to reduce to the lowest possible degree the risk of fraudulent claims. The Department also points out that the introduction of the education grant module of the Integrated Management Information System (IMIS) has provided a means by which processors of claims can simply enter data into the system and have the system determine the appropriate entitlement. While this module does not eliminate the need for distinguishing between admissible and inadmissible costs, it provides: (a) processing controls to ensure the uniform application of rules; (b) eligibility validations; (c) a means of ensuring the accurate and consistent calculation of entitlements; and (d) a means for capturing statistical information. As such, education claims can only be generated for children who are classified as dependants in the staff member's personnel data.*

(*Signed*) Dileep **Nair**
Under-Secretary-General
for Internal Oversight Services

Notes

[1] Administrative instruction ST/AI/1999/4 of 19 May 1999 (and ST/AI/181/Rev.10 and Corr.1 and Amend.1 and 2 of 26 June 1995, 30 January 1996 and 4 March 1997, which it supersedes) explains the requirements of Staff Rule 103.20. Information circular ST/IC/1999/51 and Corr.1 of 13 July 1999 informs staff members who are eligible to receive education grants or special education grants for disabled children under ST/AI/1999/4 of the procedures application to the submission and processing of their claims. (Administrative instruction ST/AI/181/Rev.10 is referred to since it was in force during the review.)